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CS-22-008  
February 2022

## TrueLayer: Innovation, regulation and the future of financial services

In April 2021, having just raised \$70 million in a Series D funding, Francesco Simoneschi, Co-Founder and CEO of TrueLayer, was thinking about expansion plans.<sup>1</sup> Should the company focus on product innovation, broadening its line-up within the 13 countries in which it operated, or should it look to grow beyond its European base? In the five years since its founding in July 2016, the TrueLayer team had made significant progress, winning customers and opening up new markets. Now they needed to chart the next stage of their growth.

In 2018 European regulators had mandated banks to allow customers more control over their bank data, hence the general term “open banking”.<sup>2</sup> The directive had come after years of debate about how best to introduce innovation and lower costs for consumers. The challenge for incumbent banks was that they earned a large proportion of their income from transaction and other fees. Naturally, they were reluctant to embrace the concept of open banking. Moreover, it was not common for consumers to switch banks.

TrueLayer aimed to be the “utility” that enabled the spread of open banking. It offered a platform for fintech companies to develop financial apps that allowed direct access to customers’ bank data, account verification and instant processing of transactions. As an interim solution to achieving full integration with banks’ legacy systems, TrueLayer had initially developed its own screen-scraping technology to allow applications to read customers’ financial details through character recognition alone.

By 2020 integration technology had progressed to the point where TrueLayer could not only enable access to data (known as “read” access in the language of API-driven technologies), but could also allow apps to enable transfer payments (“write” access); thereby facilitating – with the customer’s permission – the direct transfer of funds to and from the customer’s bank account.

In 2021 the stage was set for explosive growth. TrueLayer had raised a total of \$142 million over several funding rounds from prominent investors and had entered a dozen European markets in the past year, in which time the total volume of payments processed had jumped 600 times.<sup>3</sup> It had focused on three products: Payments API (payment initiation), Data API (account information), and PayDirect (verifications, payments and payouts).

These products enabled customers of firms such as Revolut, Freetrade and Trading 212 to send and receive money; customers of firms such as Anna, Plum and Coconut to access their

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